

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Redford Township District Library</u>	County <u>Wayne</u>
Audit Date <u>March 31, 2004</u>	Opinion Date <u>May 19, 2004</u>	Date Accountant Report Submitted To State: <u>June 9, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address <u>27400 Northwestern Highway</u>	City <u>Southfield</u>	State <u>MI</u>	ZIP <u>48034</u>
Accountant Signature 			

Redford Township District Library

Financial Report

March 31, 2004

Redford Township District Library

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Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Redford Township District Library
Redford Township, Michigan

We have audited the accompanying general purpose financial statements of Redford Township District Library as of March 31, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Redford Township District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Redford Township District Library as of March 31, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 19, 2004

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Redford Township District Library

	Governmental Fund Types			
	Special Revenue			
	Fund -			
	Accrued			
	General Fund	Employee Benefits Fund	Debt Service Fund	Capital Projects Fund
Assets				
Cash and investments (Note 2)	\$ 4,679,070	\$ -	\$ 108,063	\$ 5,234,174
Taxes receivable	100,054	-	41,499	-
Due from other funds (Note 3)	1,263,712	74,000	571,018	-
Capital assets (Note 4)	-	-	-	-
Deposit	-	-	-	150,000
Amount available in accrued Employee Benefits Fund	-	-	-	-
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets	<u>\$ 6,042,836</u>	<u>\$ 74,000</u>	<u>\$ 720,580</u>	<u>\$ 5,384,174</u>
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 86,364	\$ -	\$ -	\$ 883,971
Accrued payroll and payroll taxes	22,423	-	-	-
Deferred property taxes	100,054	-	612,517	-
Due to other funds	645,018	-	-	1,263,712
Due to other governmental units	23,695	-	-	508,588
Long-term debt (Note 5)	-	-	-	-
Total liabilities	877,554	-	612,517	2,656,271
Fund Equity				
Investment in general fixed assets	-	-	-	-
Fund balances - Unreserved:				
Designated (Note 7)	5,019,282	-	-	-
Undesignated	146,000	74,000	108,063	2,727,903
Total fund equity	<u>5,165,282</u>	<u>74,000</u>	<u>108,063</u>	<u>2,727,903</u>
Total liabilities and fund equity	<u>\$ 6,042,836</u>	<u>\$ 74,000</u>	<u>\$ 720,580</u>	<u>\$ 5,384,174</u>

Combined Balance Sheet - All Fund Types and Account Groups
March 31, 2004

Account Groups		
General Fixed	General	
Assets	Long-term Debt	Total
Account	Account	(Memorandum
Group	Group	Only)
\$ -	\$ -	\$ 10,021,307
-	-	141,553
-	-	1,908,730
6,312,458	-	6,312,458
-	-	150,000
-	74,000	74,000
-	108,063	108,063
-	8,173,325	8,173,325
<u>\$6,312,458</u>	<u>\$ 8,355,388</u>	<u>\$26,889,436</u>
\$ -	\$ -	\$ 970,335
-	-	22,423
-	-	712,571
-	-	1,908,730
-	-	532,283
-	8,355,388	8,355,388
-	8,355,388	12,501,730
6,312,458	-	6,312,458
-	-	5,019,282
-	-	3,055,966
6,312,458	-	14,387,706
<u>\$6,312,458</u>	<u>\$ 8,355,388</u>	<u>\$26,889,436</u>

Redford Township District Library

Statement of Revenue, Expenditures, and Changes in Fund Balances All Governmental Fund Types Year Ended March 31, 2004

	General Fund	Special Revenue Fund - Accrued Employee Benefits Fund	Debt Service Fund	Capital Projects Fund	Total (Memorandum Only)
Revenue					
Millage	\$ 1,131,065	\$ -	\$ 669,799	\$ -	\$ 1,800,864
Single business tax	94,998	-	-	-	94,998
Penal fines	59,423	-	-	-	59,423
State aid	32,215	-	-	-	32,215
Book fines	29,591	-	-	-	29,591
Interest	56,632	-	806	95,410	152,848
Other	650	-	-	-	650
Total revenue	1,404,574	-	670,605	95,410	2,170,589
Expenditures					
Personnel services	584,966	-	-	-	584,966
Contractual services and books	197,440	-	-	-	197,440
Supplies	6,240	-	-	-	6,240
Operating costs	116,827	-	-	-	116,827
Debt service	-	-	562,580	-	562,580
Capital outlay	57,897	-	-	5,513,814	5,571,711
Total expenditures	963,370	-	562,580	5,513,814	7,039,764
Excess of Revenue Over (Under) Expenditures	441,204	-	108,025	(5,418,404)	(4,869,175)
Other Financing Sources (Uses) -					
Operating transfers in (out)	(10,000)	10,000	-	-	-
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	431,204	10,000	108,025	(5,418,404)	(4,869,175)
Fund Balances - April 1, 2003	4,734,078	64,000	38	8,146,307	12,944,423
Fund Balances - March 31, 2004	<u>\$5,165,282</u>	<u>\$ 74,000</u>	<u>\$108,063</u>	<u>\$2,727,903</u>	<u>\$ 8,075,248</u>

Redford Township District Library

Statement of Revenue, Expenditures, and Changes in Fund Balance Budget and Actual General Fund Year Ended March 31, 2004

	Prior Year (Memorandum Only)	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Millage	\$ 1,097,897	\$ 1,105,000	\$ 1,131,065	\$ 26,065
Single business tax	94,998	60,000	94,998	34,998
Penal fines	71,046	55,000	59,423	4,423
State aid	43,180	30,000	32,215	2,215
Book fines	29,960	15,000	29,591	14,591
Interest	89,061	46,000	56,632	10,632
Other	600	-	650	650
Total revenue	1,426,742	1,311,000	1,404,574	93,574
Expenditures				
Personnel services	561,230	663,500	594,966	68,534
Contractual services and books	195,750	286,000	197,440	88,560
Supplies	10,285	17,000	6,240	10,760
Operating costs	108,677	209,500	116,827	92,673
Capital outlay	27,538	90,000	57,897	32,103
Contingency	-	45,000	-	45,000
Total expenditures	903,480	1,311,000	973,370	337,630
Excess of Revenue Over Expenditures	523,262	-	431,204	<u>\$ 431,204</u>
Fund Balance - Beginning of year	<u>4,210,816</u>	<u>4,734,078</u>	<u>4,734,078</u>	
Fund Balance - End of year	<u>\$ 4,734,078</u>	<u>\$ 4,734,078</u>	<u>\$ 5,165,282</u>	

Redford Township District Library

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Redford Township District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library is governed by an appointed seven-member Board of Trustees. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Fund Accounting

The accounts of the Library are organized on the basis of funds and account groups, each of which is considered a separate accounting entity.

General Fund - The General Fund contains the records of the ordinary activities of the Library. General Fund activities are financed by revenue from a general property tax millage, state aid, and other sources.

Special Revenue Fund - Accrued Employee Benefits - The Special Revenue Fund is used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions. The Library's Accrued Employee Benefits Fund (a Special Revenue Fund) was created to account for contributions received from the General Fund toward the funding of these benefits.

Debt Service Fund - The Debt Service Fund is used to account for the annual payments of principal, interest, and expenses in connection with the 2002 Library Building and Site Bonds. Debt Service Fund activities are financed by revenue from a property tax millage that expires in 2021.

Capital Projects Fund - The Capital Projects Fund is used to account for the activity related to constructing, equipping, and furnishing a new library building.

Basis of Accounting

The Library's funds utilize the modified accrual basis of accounting. Modifications in such a method from the accrual basis are as follows:

- a. In general, revenue is recognized when it is both measurable and available for use to finance operations. Miscellaneous revenue is recorded when received.

Redford Township District Library

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

- b. Property tax revenue is recognized in the period for which it was budgeted, subject to the availability criterion (whether collection was soon enough after year end to be available to finance operations).

Properties are assessed as of December 31, and the related property taxes are billed and become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The December 1, 2003 operating millage is intended (by state constitution) to finance operations for the year ended March 31, 2004. Therefore, it is recognized as revenue during the current year, except for delinquencies. The December 1, 2003 debt levy is intended to finance the debt service for the year beginning April 1, 2004 and will be recognized in the next year.

- c. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- d. Noncurrent receivables are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year end.
- e. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- f. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- g. The noncurrent portion of accumulated sick and vacation pay liabilities is reflected in the General Long-term Debt Account Group.

Fixed Assets and Long-term Liabilities - Fixed assets used in the Library's operations are accounted for in the General Fixed Assets Account Group, rather than in the General Fund. No depreciation has been provided on general fixed assets.

Library books, periodicals, recordings, and films are recorded at \$1 per item. Other fixed assets are recorded at cost, or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from the General Fund are accounted for in the General Long-term Debt Account Group, not in the General Fund.

Redford Township District Library

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Investments - Investments are recorded at fair value, based on quoted market prices.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Memorandum-only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Note 2 - Deposits and Investments

The Library's deposits and investments are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits	\$ 7,121,606
Investments in bank investment pools	<u>2,899,701</u>
Total	<u>\$ 10,021,307</u>

The Library's deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$7,121,606, of which \$400,000 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized.

The Library believes that due to the dollar amounts of cash deposits and limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

Redford Township District Library

Notes to Financial Statements March 31, 2004

Note 2 - Deposits and Investments (Continued)

The Library's investments during the year consisted solely of a bank investment pool, which is regulated by the Michigan Banking Act. The fair value of the position in the bank investment pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the Library; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book-entry form. The Library believes that the investments in this pool comply with the investment authority noted above.

Note 3 - Interfund Receivables

The following are the interfund receivables at March 31, 2004:

General Fund - Capital Projects Fund	\$1,263,712
Special Revenue Fund - General Fund	74,000
Debt Service Fund - General Fund	<u>571,018</u>
Total interfund receivables	<u>\$1,908,730</u>

Note 4 - Capital Assets

The capital assets of the Library at March 31, 2004 consist of the following:

	Balance April 1, 2003	Additions	Disposals	Balance March 31, 2004
Furniture, fixtures, and equipment	\$ 324,586	\$ 57,897	\$ -	\$ 382,483
Construction in process - New library and equipment	-	5,818,629	-	5,818,629
Books, periodicals, recordings, and films*	<u>107,939</u>	<u>3,407</u>	<u>-</u>	<u>111,346</u>
Total capital assets	<u>\$ 432,525</u>	<u>\$ 5,879,933</u>	<u>\$ -</u>	<u>\$ 6,312,458</u>

* Books, periodicals, recordings, and films are recorded at \$1 per item. The replacement value, based on trade publications' average costs adjusted for discounts and processing costs applicable to Library purchases, was approximately \$2,784,000 as of March 31, 2004.

Redford Township District Library

Notes to Financial Statements March 31, 2004

Note 4 - Capital Assets (Continued)

The Library has a lease agreement with Redford Township to lease its current building for \$1 per year through 2005. Although the current lease expires next year, the Library issued bonds in 2002 for the purpose of constructing a new library building, which will be ready for occupancy in fiscal year 2005.

Note 5 - Long-term Debt

Outstanding Debt

The following is a summary of the Library's outstanding debt. All debt is recorded in the General Long-term Debt Account Group.

	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
2002 Library Building and Site Bonds	2.75% - 4.65%	2022	\$ 8,240,000
Accumulated employee benefits			<u>115,388</u>
Total long-term debt			<u>\$ 8,355,388</u>

The accumulated employee benefits represent the estimated liability to be paid employees under the Library's leave pay policy, net of the portion that is estimated will be paid currently (which would be recorded as a liability in the General Fund, if significant). Under the Library's policy, employees earn leave time based on time of service with the Library.

Changes in Long-term Debt

The following is a summary of the Library's long-term debt transactions for the year ended March 31, 2004:

Balance - March 31, 2003	\$ 8,596,253
Bond principal payments	(260,000)
Increase in obligation for employee benefits	<u>19,135</u>
Balance - March 31, 2004	<u>\$ 8,355,388</u>

Redford Township District Library

Notes to Financial Statements March 31, 2004

Note 5 - Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2004 (excluding employee benefits), including both principal and interest, are as follows:

<u>Years Ending March 31</u>	<u>Amount</u>
2005	\$ 578,638
2006	585,956
2007	593,188
2008	599,625
2009	604,850
Remaining years	<u>9,092,592</u>
Total	<u><u>\$ 12,054,849</u></u>

Interest

Total interest incurred by the Library for the year ended March 31, 2004 was \$302,580.

Note 6 - Budget Information

The annual budget is prepared by the Director and the Library Board, and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A budget was not prepared for the accrued Employee Benefits Fund, because no expenditures were anticipated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers are recorded as expenditures. The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - General Fund) is presented on the same basis of accounting and level of detail as the adopted budget. State law requires expenditures to stay within appropriated amounts. There were no expenditure budget overruns for the year ended March 31, 2004.

Redford Township District Library

Notes to Financial Statements March 31, 2004

Note 7 - Designated Fund Balance

Library management has designated a portion of the fund balance of the General Fund for the following purposes:

Working capital	\$ 750,000
Capital improvements	1,969,282
Library construction	1,300,000
Library construction - 2nd Floor	<u>1,000,000</u>
Total	<u>\$ 5,019,282</u>

Note 8 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for workers' compensation and employee health claims and participates in the Michigan Municipal Risk Management Authority state pool program for claims relating to general liability and property loss.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Pension Plan

Plan Description - The Library provides a defined benefit pension plan to its employees through the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple employer pension plan. MMERS provides retirement and disability benefits; these benefits were established and may be amended through contracts with the Library's employees. MMERS issues a publicly available financial report that includes financial statements as well as trend information for the system; that report may be obtained by writing to 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain MMERS for these employees was established by negotiation with the Library's contract employees and requires no employee contributions.

Redford Township District Library

Notes to Financial Statements March 31, 2004

Note 9 - Pension Plan (Continued)

Annual Pension Cost - For the year ended March 31, 2004, the Library's annual pension cost of \$36,700 was equal to the required and actual contribution that was determined by the actuarial valuation at December 31, 2001, using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.7 percent per year, with a 4.5 percent inflation increase, and (c) no cost of living adjustments.

Three-year trend information is as follows:

	Fiscal Year Ended March 31		
	2002	2003	2004
Annual pension cost (APC)	\$ -	\$ 35,600	\$ 36,700
Percentage of APC contributed	100.0%	100.0%	100.0%
Valuation at December 31			
	2000	2001	2002
Actuarial value of assets	\$ 819,457	\$ 892,118	\$ 958,571
Actuarial accrued liability (AAL) (entry age)	\$ 802,610	\$ 903,307	\$ 976,977
Unfunded (overfunded) AAL (UAAL)	\$ (16,847)	\$ 11,189	\$ 18,406
Funded ratio	102.1%	98.8%	98.1%
Covered payroll	\$ 337,403	\$ 351,453	\$ 351,266
UAAL as a percentage of covered payroll	- %	3.2%	5.2%

Note 10 - Postemployment Benefits

The Library provides health care benefits to all full-time employees upon retirement, in accordance with employee contracts. Currently, the Library has no retirees. As employees become eligible to participate, the Library will include pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The Library will purchase Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, no amounts were due.

Redford Township District Library

Notes to Financial Statements March 31, 2004

Note 11 - Commitments

At March 31, 2004, the Library was under contract with an architect and a general contractor related to the construction of a new library building. The approximate total committed under the terms of the contracts was \$7,310,000. As of March 31, 2004, the Library has expensed approximately \$5,086,000 related to these contracts and has approximately \$2,224,000 remaining.

Note 12 - Upcoming Reporting Change

For the year beginning April 1, 2004, the Library plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant funds, as well as in total, on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.